Amendments to the Claims:

1. (currently amended): A method to identify counterfeit or diverted merchandise comprising: ~~the steps of:~~

inspecting merchandise for a digital watermark; and

identifying counterfeit or diverted merchandise by the absence of a watermark,

wherein the digital watermark is expected to include plural-bit information indicating at least an expected retail destination for the merchandise.

2. (currently amended): The method according to claim 1, wherein the digital watermark includes an identifier, said method further comprising ~~a step of~~ accessing information with the identifier.

3. (currently amended): The method according to claim 2, further comprising ~~a~~ ~~step of~~ identifying a counterfeit through comparison of the merchandise with the assessed information.

4. (original): The method according to claim 3, wherein the digital watermark comprises a fragile watermark, and wherein the absence of a watermark comprises a degradation of the fragile watermark.

5. (currently amended): An inspector network comprising:

a database comprising a plurality of entries, at least one of the entries including merchandise information, wherein the merchandise information comprises at least an expected retail destination for an item of merchandise;

an inspector computer comprising:

an input device to capture an image of merchandise;

a computer including electronic processing circuitry and electronic memory circuitry, wherein said electronic memory circuitry has computer executable instructions stored thereon, said instructions including instructions to:

detect a digital watermark in an image captured by said input device;

decode a detected watermark, the watermark including at least plural information bits; and to

request information from said database corresponding to the plural information bits; and

a network interface to communicate with said database.

6. The inspector network according to claim 5, wherein said inspector computer generates a signal when a digital watermark is not detected by said computer executable detect instructions.

7. The inspector network according to claim 5, further comprising computer executable instructions stored in said electronic memory circuits to generate a graphical user interface.

8. (withdrawn): A method to track inventory or product tags comprising the steps of:

embedding a digital watermark in merchandise, the digital watermark including at least one identifier;

establishing a data record to be indexable according to the at least one identifier; and

updating the data record to reflect inventory status.

9. (withdrawn): The method according to claim 8, wherein the digital watermark is embedded directly on the merchandise.

10. (withdrawn): The method according to claim 8, wherein the digital watermark is embedded in at least one of a merchandise tag, label, invoice, shipping instructions, and packaging.

11. (withdrawn): The method according to claim 8, wherein the inventory status comprises at least one of current location, shipping history, destination information, handling instructions, customs information, inspector instructions, batch number, manufacture information, and shipping dates.

12. (new): A method to identify pharmaceuticals comprising:

inspecting image data corresponding to a pharmaceutical for steganographic indicia, the steganographic indicia comprising a plural-bit identifier; and

determining whether the pharmaceutical is authentic through reference to the steganographic indicia.

13. (new): The method of claim 12, wherein the plural-bit identifier indicates at least an expected destination of the pharmaceutical.

14. (new): The method of claim 13, further comprising determining, with at least reference to the expected destination, whether the pharmaceutical has been diverted.

15. (new): The method of claim 13, further comprising indexing a database with at least a part of the plural bit-identifier to determine the expected destination.

16. (new): A handheld device comprising:

optical scanner to obtain image data corresponding to a pharmaceutical;

electronic processing circuitry; and

memory including computer executable instructions therein for execution by the electronic processing circuitry, the instructions comprising instructions to:

i) inspect the image data, and

ii) carry out the method of claim 12.